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5 **TONKON TORP LLP**

1600 Pioneer Tower

6 888 S.W. Fifth Avenue

Portland, OR 97204

7 Attorneys for Debtor

10 IN THE UNITED STATES BANKRUPTCY COURT

11 FOR THE DISTRICT OF OREGON

12 In re

13 Arlie & Company,

14 Debtor.

Case No. 10-60244-aer11

**DEBTOR'S APPLICATION FOR
ORDER TO EMPLOY TONKON
TORP LLP AS ATTORNEYS FOR
DEBTOR**

EXPEDITED HEARING REQUESTED

17 Arlie & Company, Debtor and Debtor-in-Possession herein ("Debtor"), hereby
18 applies to the Court for an order approving the employment of Tonkon Torp LLP ("Tonkon
19 Torp") as Chapter 11 counsel for Debtor. Debtor makes this Application pursuant to
20 11 U.S.C. § 327, and Federal Rule of Bankruptcy Procedure 2014, and respectfully
21 represents as follows.

22 **BACKGROUND**

23 1. On January 20, 2010 (the "Petition Date"), Debtor filed its voluntary
24 petition for relief under Chapter 11 of Title 11 of the United States Code.

25 2. Debtor has continued in possession of its property and is continuing to
26 operate and manage its business as a debtor and debtor-in-possession pursuant to

1 Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been
2 requested or appointed in Debtor's case.

3 3. Debtor has provided notice of this Application to its secured creditors,
4 the 20 largest unsecured creditors, and the Office of the United States Trustee. No unsecured
5 creditors' committee has yet been appointed in this case. Because of the nature of the relief
6 requested, Debtor respectfully submits that no further notice of the relief requested is
7 necessary or required under the circumstances.

8 4. Debtor desires to retain and employ Tonkon Torp as counsel in this
9 Chapter 11 case, pursuant to Section 327 of the Code, to represent Debtor in all aspects of its
10 reorganization, on the terms and subject to the conditions described below.

11 5. Debtor believes Tonkon Torp is well suited for this representation.
12 Tonkon Torp has experience in all aspects of the law that may arise in this Chapter 11 case.
13 In particular, Tonkon Torp has substantial bankruptcy and restructuring, corporate, finance,
14 litigation, real estate, land use, regulatory, labor and tax expertise.

15 6. Debtor has asked Tonkon Torp to advise it on its debt restructuring
16 and to render general legal services to Debtor as needed throughout the course of this
17 Chapter 11 case, including bankruptcy and restructuring, corporate, environmental, finance,
18 litigation, real estate, land use, regulatory, securities, and labor and tax assistance and advice.
19 Debtor is informed that Albert N. Kennedy and Michael F. Fletcher, the attorneys at Tonkon
20 Torp primarily involved in this Chapter 11 case, are admitted to practice before this Court
21 and that they have read Local Bankruptcy Rule 2016.

22 7. The services to be performed by Tonkon Torp are necessary in order
23 for Debtor to perform its duties as debtor-in-possession. Subject to the control of and further
24 order of the Court, Tonkon Torp intends to render the following services to Debtor:

25 a. Advise Debtor of its rights, powers and duties as a debtor and
26 debtor-in-possession continuing to operate and manage its business and property under

Chapter 11 of the Code;

b. Take all actions necessary to protect and preserve Debtor's bankruptcy estate, including the prosecution of actions on Debtor's behalf, the defense of any action commenced against Debtor, negotiations concerning all litigation in which Debtor is involved, objections to claims filed against Debtor in this bankruptcy case, and the compromise or settlement of claims;

c. Advise Debtor concerning, and prepare on behalf of Debtor, all necessary applications, motions, memoranda, responses, complaints, answers, orders, notices, reports and other papers, and review all financial and other reports required from Debtor as debtor-in-possession in connection with administration of this Chapter 11 case;

d. Advise Debtor with respect to, and assist in the negotiation and documentation of, financing agreements, debt and cash collateral orders, and related transactions;

e. Review the nature and validity of any liens asserted against Debtor's property and advise Debtor concerning the enforceability of such liens;

f. Advise Debtor regarding (a) its ability to initiate actions to collect and recover property for the benefit of its estate; (b) any potential property dispositions; and (c) executory contract and unexpired lease assumptions, assignments and rejections, and lease restructuring and recharacterizations;

g. Negotiate with creditors concerning a plan of reorganization; prepare the plan of reorganization, disclosure statement and related documents; take the steps necessary to confirm and implement the plan of reorganization, including, if needed, negotiations for financing the plan; and

h. Provide such other legal advice or services as may be required in connection with this Chapter 11 case or the general operation and management of Debtor's business.

8. Subject to Court approval, Debtor has agreed to compensate Tonkon Torp on an hourly basis in accordance with Tonkon Torp's ordinary and customary hourly rates in effect on the date services are rendered. The Tonkon Torp professionals who will be primarily responsible for providing these services, their status and their billing rates are as follows:

<u>Attorney Name</u>	<u>Status</u>	<u>Hourly Rate</u>
Albert N. Kennedy	Partner	\$450.00
Michael W. Fletcher	Partner	\$300.00
Leslie Hurd	Legal Asst/Paralegal	\$ 90.00
Spencer Fisher	Paralegal	\$110.00

9. From time to time, other Tonkon Torp attorneys and paralegals may also render services to Debtor in order to take advantage of specialized skills or expertise, to meet the demands of the case schedule, or for other appropriate reasons. Debtor has agreed that Tonkon Torp will also be compensated for the services of these professionals at their usual and customary hourly rates.

10. Tonkon Torp will maintain detailed, contemporaneous time records of expenses incurred with the rendering of legal services described above by category and nature of services rendered.

11. Tonkon Torp received a retainer on behalf of Debtor in the total amount of \$100,000. Prior to the filing of the bankruptcy petition, Tonkon Torp applied a portion of that retainer for prepetition services rendered prior to the Petition Date and the Chapter 11 filing fee as disclosed on the attached Rule 2014 Verified Statement for Proposed Professional. The remaining balance is held as a retainer.

12. Within the 12-month period preceding the Petition, Tonkon Torp provided legal services to Debtor. The total cost of legal services prior to the filing of the Petition, and payments for those services, are disclosed on the attached Rule 2014 Verified Statement for Proposed Professional. Tonkon Torp may seek payment of additional fees or

1 costs related to this Chapter 11 case incurred prior to the bankruptcy filing from the
2 bankruptcy estate, subject to Court approval.

3 13. Debtor agrees and understands that Tonkon Torp has reserved the right
4 to withdraw as counsel to Debtor, and Debtor hereby consents to such a withdrawal, in the
5 event it becomes apparent Tonkon Torp will not be paid for its services. Debtor also
6 recognizes that professional fees and costs incurred by Tonkon Torp are subject to approval
7 by the Court after review of fee applications filed by Tonkon Torp.

8 14. To the best of Debtor's knowledge, the partners and associates of
9 Tonkon Torp do not have any connection with Debtor, its creditors, any other party in
10 interest, or their respective attorneys or accountants, except as stated in the Rule 2014
11 Verified Statement of Proposed Professional.

12 15. A proposed Order Authorizing Employment of Tonkon Torp LLP as
13 Attorneys for Debtor is attached as Exhibit 1.

14 For the reasons stated in this Application, Debtor requests that the Court enter
15 an order authorizing it to employ Tonkon Torp to represent Debtor in this Chapter 11 case as
16 its attorneys herein to render legal services as described above, with compensation and
17 reimbursement of expenses to be paid as an administrative expense in such amounts as may
18 be allowed by this Court after notice and hearing pursuant to Section 330 of the Bankruptcy
19 Code or as otherwise provided by Court order.

20 DATED January 21, 2010.

21 Respectfully submitted,

22 ARLIE & COMPANY

23 By /s/ Scott M. Diehl

24 Scott M. Diehl

25 Vice President and Chief Financial Officer

1 Presented by:

2 TONKON TORP LLP

3
4 By /s/Albert N. Kennedy

Albert N. Kennedy, OSB No. 821429

5 Michael W. Fletcher, OSB No. 01044

888 S.W. Fifth Avenue, Suite 1600

6 Portland, OR 97204-2099

Telephone: 503-221-1440

7 Facsimile: 503-274-8779

E-mail: al.kennedy@tonkon.com

8 Michael.fletcher@tonkon.com

9 Attorneys for Debtor

10 033739/00003/1887684v1

EXHIBIT 1

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re

Arlie & Company

Debtor.

Case No. 10-60244-aer11

**ORDER AUTHORIZING
EMPLOYMENT OF TONKON TORP
LLP AS ATTORNEYS FOR DEBTOR**

THIS MATTER having come before the Court for a hearing on the application of Arlie & Company, Debtor and Debtor-in-Possession ("Debtor"), for an Order to Employ Tonkon Torp LLP as Attorneys for Debtor; the Court having reviewed the Application and accompanying statement, and being otherwise duly advised; now, therefore,

IT IS HEREBY ORDERED that Debtor be and hereby is authorized to employ the law firm of Tonkon Torp LLP as general counsel in all matters arising in or related to this

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proceeding as of the Petition Date, and is further authorized to pay said attorneys a reasonable fee for their services upon application and order of the Court.

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Presented by:

TONKON TORP LLP

By _____
Albert N. Kennedy, OSB No. 821429
Michael W. Fletcher, OSB No. 010448
888 S.W. Fifth Avenue, Suite 1600
Portland, OR 97204-2099
Telephone: 503-221-1440
Facsimile: 503-274-8779
E-mail: al.kennedy@tonkon.com
 michael.fletcher@tonkon.com
Attorneys for Debtor

cc: List of Interested Parties

033739/00003/1887684v1

LIST OF INTERESTED PARTIES

In re Arlie & Company
U.S. Bankruptcy Court Case No. 10-60244-aer11

ECF PARTICIPANTS:

- Patrick Wade (for Washington Federal Savings) hhecfb@hershnerhunter.com
- United States Trustee ustpreion18.EG.ECF@usdoj.gov

NON-ECF PARTICIPANTS:

US TRUSTEE:

U.S. Trustee's Office
405 East 8th Ave #1100
Eugene OR 97401
ustpreion18.pl.ecf@usdoj.gov

SECURED CREDITORS

Century Bank
POB 769
Eugene OR 97440

Siuslaw Bank
POB 11529
Eugene OR 97440

GE Capital
POB 31001-0802
Pasadena CA 91110

Summit Bank
96 East Broadway
Eugene OR 97401

Umpqua Bank
POB 1820
Roseburg OR 97470

Pioneer Asset Investment Ltd.
c/o Joseph Boucher
Neider & Boucher S.C.
440 Science Dr., #300
Madison WI 53711

Herbert D. McKillop
c/o Emerald Exchange
240 E. 15th
Eugene OR 97401

Francis G. Cline
c/o Emerald Exchange
240 E. 15th
Eugene OR 97401

William R. Greenhoot
1126 Gateway Loop #100
Springfield OR 97477

Karen L. Merwin
35379 McKenzie View Dr.
Springfield OR 97478

Alyce Smith
32624 Christian Way
Coburg OR 97408

Linda S. Trickey
83780 Raintree
Creswell OR 97426

TOP 20 UNSECURED CREDITORS

Balzhiser & Hubbard Inc
100 West 13th Ave
Eugene OR 97401

Burr, Pilger & Mayer LLP
Two Palo Alto Square
Palo Alto CA 94306

Century Bank
POB 769
Eugene OR 97440

Cessna Aircraft Co
23260 Network Pl
Chicago IL 60673-1232

City of Veneta
88184 8th St
Veneta OR 97487

Comfort Flow Heating
1951 Don St
Springfield OR 97477

Eugene Sand & Gravel Inc
POB 1067
Eugene OR 97440

Gartland Nelson McCleery
44 Club Rd # 200
Eugene OR 97401

Adam Grosowsky
1675 Crest Dr
Eugene OR 97405

JB Electric Inc
4685 Isabelle St
Eugene OR 97402

Jeff King Contractor
POB 798
Lebanon OR 97355

JRH Engineering
4765 Village Plaza Loop
Eugene OR 97401

Michael P. Kearney, PC
POB 1758
Eugene OR 97440-1758

Mid-Valley Glass & Millwork
POB 2666
Eugene OR 97402-0245\

National Surety Corporation
General Counsel Office
Attn: Debbie Holstedt
777 San Marin Dr
Novato CA 94998

Northwest Wall Systems Inc
Attn: Thomas Allen
751 River Ave
Eugene OR 97404

Pension Planners Northwest
71 Centennial Loop
Eugene OR 97401

Rowell Brokaw Architects, PC
1 East Broadway #300
Eugene OR 97401

Triple J&S Signs
86501 Lorane Hwy
Eugene OR 97405

Twin Rivers Plumbing
1525 Irving Rd
Eugene OR 97402

UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re)
) Case No. _____
)
)
Debtor(s)) RULE 2014 VERIFIED STATEMENT
) FOR PROPOSED PROFESSIONAL

Note: To file an amended version of this statement per ¶19, file a fully completed amended Rule 2014 statement on LBF #1114 and clearly identify any changes from the previous filed version.

1. The applicant is not a creditor of the debtor except:
2. The applicant is not an equity security holder of the debtor.
3. The applicant is not a relative of the individual debtor.
4. The applicant is not a relative of a general partner of the debtor (whether the debtor is an individual, corporation, or partnership).
5. The applicant is not a partnership in which the debtor (as an individual, corporation, or partnership) is a general partner.
6. The applicant is not a general partner of the debtor (whether debtor is an individual, corporation, or partnership).
7. The applicant is not a corporation of which the debtor is a director, officer, or person in control.
8. The applicant is not and was not, within two years before the date of the filing of the petition, a director, officer, or employee of the debtor.
9. The applicant is not a person in control of the debtor.
10. The applicant is not a relative of a director, officer or person in control of the debtor.
11. The applicant is not the managing agent of the debtor.
12. The applicant is not and was not an investment banker for any outstanding security of the debtor; has not been, within three years before the date of the filing of the petition, an investment banker for a security of the debtor, or an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the debtor; and is not and was not, within two years before the date of the filing of the petition, a director, officer, or employee of such an investment banker.
13. The applicant has read 11 U.S.C. §101(14) and §327, and FRBP 2014(a); and the applicant's firm has no connections with the debtor(s), creditors, any party in interest, their respective attorneys and accountants, the United States Trustee, or any person employed in the office of the United States Trustee, or any District of Oregon Bankruptcy Judge, except as follows:

14. The applicant has no interest materially adverse to the interest of the estate or of any class of creditors or equity security holders.
15. Describe details of all payments made to you by either the debtor or a third party for any services rendered on the debtor's behalf within a year prior to filing of this case:
16. The debtor has the following affiliates (as defined by 11 U.S.C. §101(2)). Please list and explain the relationship between the debtor and the affiliate:
17. The applicant is not an affiliate of the debtor.
18. Assuming any affiliate of the debtor is the debtor for purposes of statements 4-13, the statements continue to be true except (list all circumstances under which proposed counsel or counsel's law firm has represented any affiliate during the past 18 months; any position other than legal counsel which proposed counsel holds in either the affiliate, including corporate officer, director, or employee; and any amount owed by the affiliate to proposed counsel or its law firm at the time of filing, and amounts paid within 18 months before filing):
19. The applicant hereby acknowledges that he/she has a duty during the progress of the case to keep the court informed of any change in the statement of facts which appear in this verified statement. In the event that any such changes occur, the applicant immediately shall file with the court an amended verified statement on LBF #1114, with the caption reflecting that it is an amended Rule 2014 statement and any changes clearly identified.

THE FOLLOWING QUESTIONS NEED BE ANSWERED ONLY IF AFFILIATES HAVE BEEN LISTED IN STATEMENT 16.

20. List the name of any affiliate which has ever filed bankruptcy, the filing date, and court where filed:

21. List the names of any affiliates which have guaranteed debt of the debtor or whose debt the debtor has guaranteed. Also include the amount of the guarantee, the date of the guarantee, and whether any security interest was given to secure the guarantee. Only name those guarantees now outstanding or outstanding within the last 18 months:
22. List the names of any affiliates which have a debtor-creditor relationship with the debtor. Also include the amount and date of the loan, the amount of any repayments on the loan and the security, if any. Only name those loans now outstanding or paid off within the last 18 months:
23. List any security interest in any property granted by the debtor to secure any debts of any affiliate not covered in statements 20 and 21. List any security interest in any property granted by the affiliate to secure any debts of the debtor not covered in statements 21 and 22. Also include the collateral, the date and nature of the security interest, the name of the creditor to whom it was granted, and the current balance of the underlying debt:
24. List the name of any affiliate who is potentially a "responsible party" for unpaid taxes of the debtor under 26 U.S.C. §6672:

I verify that the above statements are true to the extent of my present knowledge and belief.

Applicant